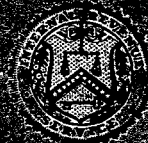


INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 60-15

May 23, 1960

EXPORTATION OF WINE

Proprietors of bonded wine cellars, tax-paid wine bottling houses, customs manufacturing bonded warehouses - class six, and others concerned:

Purpose. The purpose of this industry circular is to acquaint you with proposed changes in the regulations relating to the exportation of wine.

Background. Regulations in 26 CFR Part 252 are being revised and reissued to include in one regulation all provisions relating to the exportation, use as supplies on vessels and aircraft, and transfer to foreign-trade zones and customs manufacturing bonded warehouses of wines. Such provisions cover wines withdrawn without payment of tax and removed with benefit of drawback of the tax. Part 252 also will contain similar provisions for distilled spirits, specially denatured spirits, and beer, but those provisions are not discussed in this circular.

Effect on Other Regulations. The required notice of proposed rule making to cover these changes has already been published in the Federal Register (25 F.R. 2973), and we anticipate that the effective date of these regulations will be July 1, 1960. The new regulations will supersede requirements relating to the general field of exportation of wine, as presently contained in 26 CFR Parts 231, 240, 252, and 253, for withdrawals or shipments occurring on and after that date.

The present provisions in the 1955 edition of Part 252 dealing with procedures for bottling and packaging wines especially for export with benefit of drawback and the transfer of wines into and out of export storage are not contained in the proposed regulations since the statutory requirement that wines be bottled and packaged especially for export has been eliminated from section 5062(b), I.R.C. Revised Part 252 is not designed to give any instructions as to the manner in which wine may be bottled or packaged or otherwise prepared. Except for provisions contained in proposed Part 252 with respect to labels on bottles which have not been labeled in accordance with the provisions of 27 CFR Part 4, the bottling and packaging requirements are the same as for wines for domestic consumption and are contained in 26 CFR Parts 201, 231, and 240.

Standardized Procedures. Procedures specially applicable to wines are contained in proposed Subparts F and K. Procedures which are basically common to all types of export transactions (including transactions relating to wine), are consolidated into other subparts. These instructions are now contained in proposed Subparts B, C, M, and N.

Bonds. Withdrawals of wines without payment of tax by a proprietor from his bonded wine cellar will continue to be under his operating bond, Form 700 or Form 2601, as the case may be.

To cover other pertinent transactions relating to the general field of exportation of wine, new bonds, as listed below, have been provided to be effective for transactions commencing on and after July 1, 1960. The bonds which they will supersede on that date, and which will become obsolete at that time, are likewise listed.

New Bond

Superseded Bond

Form 2734
Specific Export Bond,
Distilled Spirits or
Wine

Form 1702 - Transportation Bond - Liquor
Withdrawn for Transportation
to Foreign-Trade Zone (Specific)

Note: Bond, Form 2734, is designed to cover specific lots of wine withdrawn without payment of tax for export, for use on vessels or aircraft, or for transfer to a foreign-trade zone, by a person other than the proprietor of the bonded premises from which the withdrawal is to be made. There were no previous provisions for a bond to cover specific lots of wine withdrawn by a non-proprietor for export, or for use on vessels or aircraft.

Form 2735
Continuing Export Bond
Distilled Spirits and
Wines

Form 186 - Bond for Wines Withdrawn from
Bonded Wine Cellars - for
Export or for Supplies on
Vessels or Aircraft
(Continuing)

Form 1703 - Transportation Bond - Liquors
Withdrawn for Transportation
to Foreign-Trade Zones
(Continuing)

New Bond

Form 2736
Specific Transportation
Bond, Distilled Spirits
or Wines Withdrawn for
Transfer to Manufacturing
Bonded Warehouse - Class
Six

Form 2737
Continuing Transportation
Bond, Distilled Spirits
and Wines Withdrawn for
Transportation to Manu-
facturing Bonded Warehouse -
Class Six

Form 2738
Drawback Bond - Distilled
Spirits and Wine

Superseded Bond

(Note: No previous coverage)

Form 1580 - Bond for Transfer of Wine to
Customs Bonded Manufacturing
Warehouse, Class Six
(Continuing)

Form 1581A - Drawback Bond - Wine

The maximum penal sum of each of these five new bonds has been set at \$200,000, with a minimum in each case of \$1,000. It is to be noted that these new bonds are also to be used for transactions dealing with distilled spirits. Also, provisions have been made for the distribution and allocation between plants of the penal sums of bonds on Forms 2735 or 2737, if the bonds are not in the maximum penal sum.

In order that there will be no interruption in the ordinary continuation of export business, all persons operating under bonds which will be discontinued commencing July 1, 1960, should take appropriate steps to see that proper bonds have been filed with and approved by their assistant regional commissioners (alcohol and tobacco tax) prior to that date. It is anticipated that the new bond forms will be available in the regional offices by June 1.

Forms. Listed below are (a) the forms prescribed under proposed Part 252 for use in transactions dealing with wines which commence on or after July 1, 1960, and (b) the forms prescribed in current regulations which will be superseded on that date:

Forms to be used

Superseded Forms

- | | |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| (1) Form 206 (Rev. 7-60)
Withdrawal of Spirits,
Specially Denatured
Spirits, or Wines for
Exportation | Form 711 (Rev. Aug. 1955) - Wine for
Export |
| | Form 711-A (Rev. Dec. 1955) - Transfer
of Wine to Class Six
Customs Warehouse |
| | Form 711-B (Rev. Aug. 1956) - Wine for
Use on Vessels and Aircraft |
| | Form 1701 (Rev. July 1955) - Transfer
of Liquors to Foreign-Trade
Zone |
| (2) Form 1582-A (Rev.
7-60)
Drawback on Wines
Exported | Form 1582-A (Rev. July 1957) - Drawback
on Wines Bottled or
Packaged Especially for
Export |
| (3) Form 2605 (April
1959)
Certificate of
Tax Determination
- Wine | (No change) |
| (4) Form 2635 (New
7-60)
Claim - Alcohol and
Tobacco Taxes | Letter application |
| (5) Form 2639 (New
7-60)
Credit for Allowance
of Drawback | (New procedure - no previous
form) |

Form 206 (Rev. 7-60), will be used as a notice of withdrawal when the withdrawal is to be made by the proprietor of the bonded wine cellar from which the wines are to be withdrawn. In all other cases, the form will be used as an application for withdrawal and will be submitted to the assistant regional commissioner (alcohol and tobacco tax) for his approval prior to withdrawing the wines.

Supplies of these new and revised forms are being furnished to the regional offices so that they will be available for use for

transactions commencing on and after July 1, 1960. Forms listed as being superseded may not be used for any transactions which are begun on and after that date.

Clearing of Bonds: Allowance of Drawback. In proposed Part 252, we have eliminated all those requirements which deal with the furnishing of proof of foreign-landing or proof of loss at sea. It is proposed that charges against bonds covering withdrawal of wines without payment of tax shall be cleared on receipt by the assistant regional commissioner (alcohol and tobacco tax), of the required evidence of exportation, etc., (e.g., export bill of lading), and the copy of Form 206 bearing the certificate of the collector of customs, customs officer, or armed services officer, as the case may be. Claims on Forms 1582-A for drawback, when supported by a bond on Form 2738, will be allowed on receipt by the assistant regional commissioner (alcohol and tobacco tax), of the required evidence of exportation, etc., and charges against the bond will be cleared on receipt by him of Form 2605 and the copy of Form 1582-A properly certified by the designated customs or armed services officer. Claims on Forms 1582-A for drawback, where a bond is not filed, will be allowed on receipt by the assistant regional commissioner (alcohol and tobacco tax), of the required evidence of exportation, etc., the required copy of Form 2605, and the certified copy of Form 1582-A. (However, transactions which are in process on July 1, 1960, must be closed out under the regulations under which they were commenced.)

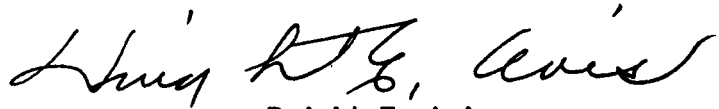
Return of Wines to Bonded Premises. Procedures have been provided in proposed Subpart F for the return of wine to bonded premises where such wine was not exported, laden for use as supplies on vessels or aircraft, transferred to a customs manufacturing bonded warehouse - class six, or deposited in a foreign-trade zone, after having been withdrawn for these purposes.

Crediting of Drawback. Section 5062(b), I.R.C., as amended by Public Law 85-859, introduces a new provision of law which provides for crediting drawback of tax. This permits giving of credit for drawback on a wine tax return. The revised Form 1582-A provides for the claimant to indicate his choice as to receiving credit or refund. Actual procedures for taking the credit, with respect to wines, will be contained in Part 240. Form 2639 has been prepared for use of the assistant regional commissioner in giving the claimant formal notice of the allowance of his claim together with the authority to take credit for such amount against his returns submitted on Forms 2050.

Marking of Containers. The special marking requirements with respect to containers of wine destined for export, for use on vessels

and aircraft, for transfer to a customs manufacturing bonded warehouse, and for transfer to a foreign-trade zone, have been standardized. Such requirements are contained in proposed Subparts F and K.

Inquiries. Inquiries concerning this circular should refer to its number and be addressed to your office of the assistant regional commissioner (alcohol and tobacco tax).

A handwritten signature in cursive script, reading "Dwight E. Avis".

Dwight E. Avis
Director, Alcohol and Tobacco Tax Division